



Ministerial Alliance Against the Digital Divide

Testimony of Reverend James L. Demus III
House Bill 5895

My name is Reverend James L. Demus III and I am the Co-Director and Founder of the Ministerial Alliance Against the Digital Divide. I thank the esteemed members of this Committee for the opportunity to testify in support of House Bill 5895 and why such a law would benefit Michigan consumers. I also plan to describe some of the unscrupulous tactics that the cable industry has been using to thwart video competition in Michigan.

MAADD is an 8,000 plus member, next generation civil rights organization that is focused on bridging the gap between those who have access to new technologies and those who do not. More than 95% of our membership is African American.

MAADD believes that bridging the Digital Divide is more than just providing people with access to computers; we believe that access to new technology is also a key to promoting economic development and social welfare in lower income and minority communities across the country. That is why MAADD recently expanded our organization by opening up a new Michigan Chapter in Detroit. Michigan consumers are embracing our mission – in fact, on the first day we launched our new Michigan Chapter – we enlisted more than 400 new members.

The issue of video franchising was originally brought to our attention by the cable industry. In December of 2004, we were presented with statements by the President of the National Cable and Telecommunications Association (NCTA) that suggested telecommunications companies like SBC and Verizon would be deploying new high-speed networks and video services to compete with cable providers and planned to “redline” lower-income and minority communities.

These disturbing allegations were based on slides from an SBC presentation outlining a deployment strategy focused on offering these new services to only 5 percent of so-called “low-value” customers. We were led to believe “low-value customer” was code for “low-income and/or minority consumers.” We have since determined this charge to be patently false. Based on cable’s misinformation, we voiced strong opposition to the concept of statewide video franchise reform because we were concerned minority communities would be left behind.

The misinformation presented by the NCTA was initially quite compelling and created great turmoil among our membership at MAADD. As a result, we spoke out against statewide video franchising to ensure that the allegation of redlining was not endorsed. Knowing what we do today, we deeply regret that decision. We understand other Michigan organizations have been misled in a similar fashion - we hope our comments today help them to see through the deception.

Subsequent to our condemnation of franchise reform, we met with representatives from the telecommunications industry, including representatives from SBC, who spent several hours educating us about this new technology – how it works, how consumers stand to benefit from its deployment, and that the true definition of “low-value customer” was not “minority consumer.” In fact, we learned that many minority and even lower-income customers would actually be considered “high-value” customers who will benefit from this technology.

Because we are always wary of corporate rhetoric - we did our homework and reviewed independent data – including a recent study by the Pew Internet and American Life Project. The study concluded that African Americans and Hispanics actually spend more money on technology than whites.

Admittedly, we were initially skeptical about all of this new information. Rather than accept the information from the industry and the Pew study as "fact," we decided to conduct a survey of our own communities to draw our own conclusions.

MAADD's findings generally confirmed the conclusions of the Pew Study. In fact, MAADD's survey showed that African Americans do, indeed, subscribe more frequently to digital television and premium channels. In addition, our findings showed that many lower-income households were more prone to purchase pay-per-view because those services are cheaper than other forms of entertainment that more affluent consumers enjoy. For example, viewing a movie at the theater costs a family of four nearly \$50 - but for less than \$5 that same family can enjoy a movie on-demand in the comfort of their home.

Given the results of our own investigation, it is clear that we were misled by rhetoric espoused by the cable industry. In fact, our survey showed that the real consumer outrage in minority communities focused on the frequent rate-hikes the cable companies continue to impose on their customers. Many of these consumers said satellite TV was not a viable option for a variety of reasons - high-rise buildings, weather conditions and reliability issues - most consumers felt they have no real, comparable options to cable service. What MAADD discovered was that the public is just simply fed up with "cable rates gone wild".

As a result, we now believe that the best method to end the cable industry's stranglehold on consumers is for state government to adopt forward-looking policies that promote competition in video services. We support Michigan House Bill 5895 and urge the esteemed members of this committee to do the same.

MAADD has long advocated in favor of competition in telecommunications and the results are paying-off. Nearly eighteen months ago, MAADD fought against SBC to promote more competition in the telecommunications industry. As a result of our efforts, consumers now enjoy phone packages for less than \$20 per month and can purchase broadband access for as little as \$12.99 per month, making these services more affordable for many low income families. We believe consumers will enjoy similar benefits by encouraging competitive alternatives to cable.

In fact, legislation like HB 5895 has a proven track record of showing immediate results in delivering lower rates to consumers. Last year, similar legislation was signed into law in Texas. Prior to the passage of the Texas law, Charter Cable TV imposed a 25% rate-hike on consumers in Fort Worth, Texas. But once Texas passed video franchise reform - streamlining the process for competitors to enter the local video market - Charter's rates plunged by 25% in the nearby suburb of Keller. And Charter is quoted in the local newspaper acknowledging competition was the catalyst for their rate reductions.

Thus, we urge the Michigan Legislature to promptly pass HB 5895 - to remove barriers and encourage new competitors to enter local video markets via statewide franchise agreements. While we enthusiastically applaud those who have approved "anti-redlining" resolutions to condemn discriminatory business practices, we believe this concern is addressed in the legislation by specifically prohibiting discriminating or denying access to communities based on income.

Further, we urge the Michigan Legislature to be wary of inflammatory rhetoric - especially rhetoric that trivializes the real and serious problem of "redlining" for the purpose of thwarting pro-competitive, pro-consumer initiatives like statewide video franchising. Thank you for your time.